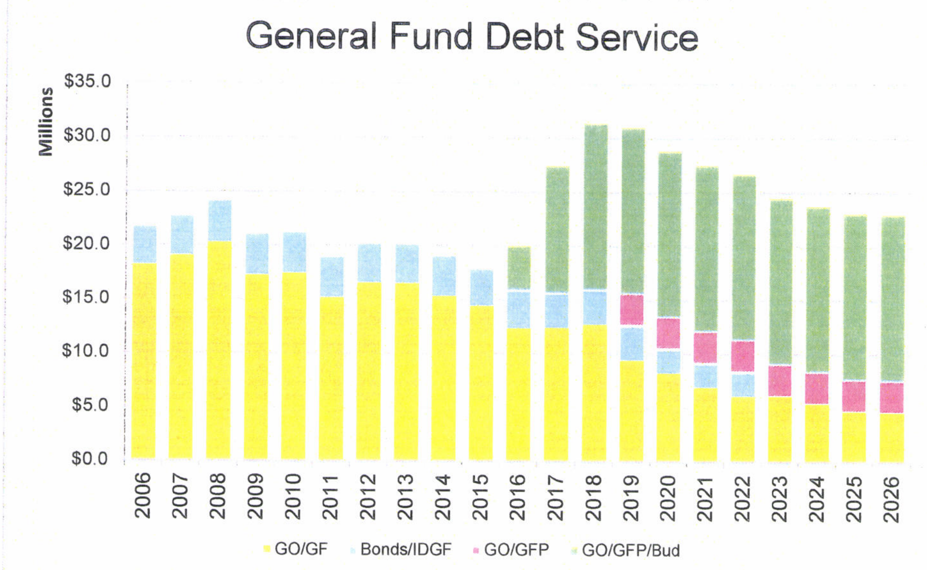
SOURCE: 2017 BIENNIUM BUDGET ANALYSES

EXHIBIT 6
DATE April 13, 2015
~~HB~~ SB 416

Debt Service

Like pensions, debt is a long term liability with a payment stream. Outside of pensions, Montana's debt liability is relatively low and unless additional bonds are approved, the payment streams will decrease overtime. According to Standard and Poor's, the state of Montana ranks 48th in their ratings for long-term tax supported debt. The ranking is consistent for total and per-capita debt amounts and as a percentage of personal income and GSP. The following table illustrates current debt service and the Governor's requested budget for debt service.



- Yellow GO/GF – General obligation (GO) bonds paid by the general fund. The bond issues related to this debt service primarily funded the construction of state government buildings

- Blue Bonds/IDGF – This category includes GO bonds and special revenue bonds that are paid indirectly through the general fund. The related bond issues include state building energy conservation bonds and revenue bonds for two of the state's hospitals that offset general fund revenue through institutional reimbursements that would otherwise flow into the general fund.

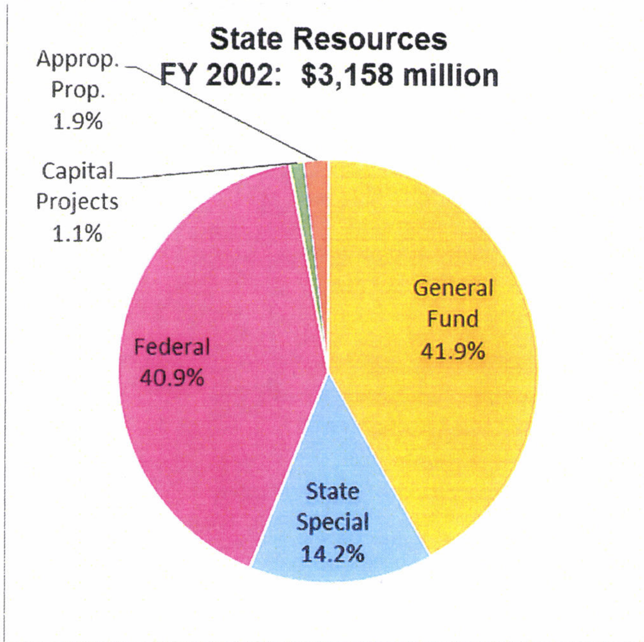
- Pink GO/GFP – This category includes the projections for debt services costs on authorized but unissued bonds. Included in this category are two issues that cover the state's share of the costs of two tribal compacts, the state's share of the St. Mary's diversion structure repairs, and the remaining authority available for the Montana Heritage Center. For the purpose of this analysis, it is assumed that 20 year bonds would be issued for each of the items in the spring of FY 2017. Given the need for federal action for both the compacts and the St. Mary's project, this schedule may be ahead of actual issuance.

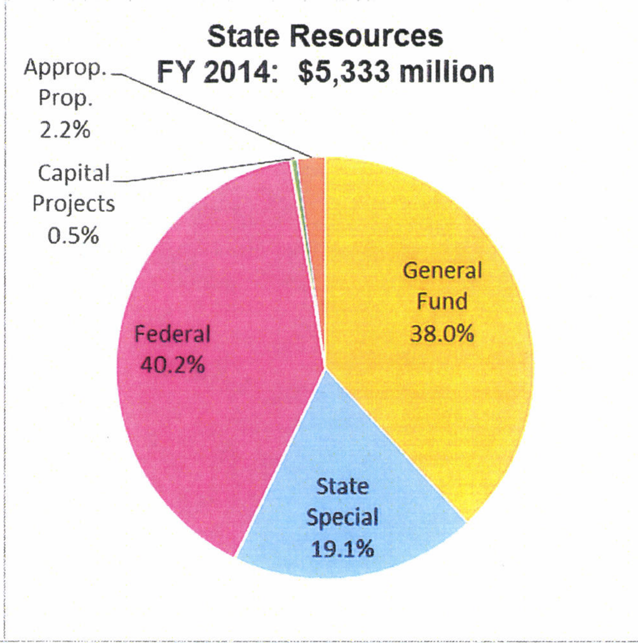
- Green GO/GFP/Bud – This category illustrates the Governor's 2017 biennium budget proposals for general obligation bond issues. This includes an assumption that the $185.6 million of Build Montana bonds will be issued half in October 2015 and half in October 2016. Additionally, this category includes $15.0 million of broadband infrastructure bonds that would be issued in October 2015.

In the 2017 biennium, without the executive's bonded budget proposals, the debt service paid directly and indirectly through general fund revenues is expected to average $15.8 million per year. The Build Montana and broadband infrastructure proposals in the executive budget are estimated to increase the general fund debt service by $4.1 million in FY 2016 and $11.8 million in FY 2017. It is expected that the full annual cost of the proposals will be $15.4 million per year in the future.

COMPARISON BY FUND TYPE

Fund types are defined in 17-2-102, MCA http://leg.mt.gov/bills/mca/17/2/17-2-102.htm. The definition of state resources includes general fund, state special funds, federal funds, capital project funds, and appropriated proprietary funds. As stated in the "Methodology" section of this report, this definition is set in 17-7-150, MCA http://leg.mt.gov/bills/mca/17/7/17-7-150.htm.





From this comparison the increase in state special expenditures stands out as the significant area of growth, increasing from 14.2% to 19.1% of the state resources expenditures.

The most significant change in funding from FY 2002 to FY 2014 is the shift from general fund to state special funds as a proportion of the total. The primary causes of this shift are the following:

- As noted in the previous section the increase in benefits was primarily funded with state special revenue that resulted from new funding streams, like higher tobacco taxes, as well as shifting certain revenue deposits from the general fund to a state special fund. The impact of these funding streams is estimated to be 2.0% of state resources in FY 2014
- About 1.2% of the shift results from an accounting shift that moved guarantee account funding used to support schools from the school trusts into a state special fund, rather than into the general fund
- About 0.9% of the shift is due to an increase in the state special funding to local governments from oil and gas revenues and revenue sharing with tribes

SOURCE: HISTORICAL EXPENDITURE REPORT